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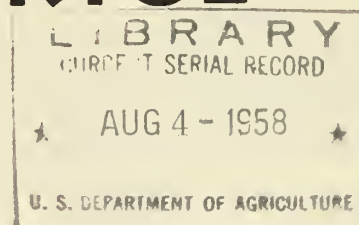
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OCT. 24, A. M.
1956

The

DEMAND and PRICE SITUATION

DPS- 22



Approved by the Outlook and Situation Board, October 18, 1956

SUMMARY

Total output of farm products this year may well be a record high. Crop output, according to October 1 estimates, is close to the 1955 record despite drought in the Great Plains. Production of meat animals, milk, poultry and eggs, continues to exceed year ago levels.

Expanding economic activity throughout 1955 and the first 9 months of 1956 has contributed to a growing market for the products of agriculture. Thus far in 1956, consumers have spent 5 percent more on food than in the corresponding period of 1955. Food expenditures continue to account for about a fourth of consumer income after taxes. On the basis of expected further increases in income, domestic demand for farm products is likely to continue strong in the coming months.

The export market has also absorbed an increasing volume of American farm products. Reduced export prices for cotton, coupled with prosperous economic conditions abroad, the failure of certain foreign crops, and U. S. Government export programs raised foreign takings of agricultural products in the first 9 months of 1956 more than a fifth above a year earlier. Surplus disposal operations have been particularly effective in stimulating exports of rice, cotton, and wheat.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956			
		Year	Sept.	June	July	Aug.	Sept.
Industrial production <u>1/</u>							
Total.....	1947-49=100	139	142	141	136	142	144
All manufactures.....	do.	141	144	143	137	143	146
Durable goods.....	do.	155	160	157	147	159	163
Nondurable goods.....	do.	126	128	128	127	128	129
Minerals.....	do.	122	123	130	122	128	129
Total outlay for new construc- tion <u>2/</u>	Million dollars	42,991	3,623	3,678	3,708	3,707	3,707
Residential.....	do.	16,595	1,422	1,250	1,288	1,281	1,287
Total civilian employment <u>3/</u>	Million	63.2	64.7	66.5	66.7	66.8	66.1
Nonagricultural.....	do.	56.5	56.9	58.6	59.0	59.5	58.7
Unemployment.....	do.	2.7	2.1	2.9	2.8	2.2	2.0
Income:							
Nonagricultural payments <u>2/4/</u> #...	Bil. dol.	290.9	295.9	310.3	309.4	312.9	
Production-worker payrolls <u>5/</u> #...	1947-49=100	152.5	158.6	158.2	151.0	161.1	164.2
Weekly earnings of production- workers in manufacturing <u>5/</u> ...	Dollars	76.52	77.71	79.19	78.80	79.60	81.00
Durable.....	do.	83.21	82.61	85.27	84.04	85.47	87.54
Nondurable.....	do.	68.06	67.83	70.95	71.53	71.50	72.25
Prices:							
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	111	112	114	114	115	115
Commodities other than farm and food.....	do.	117	118	122	121	122	123
Farm.....	do.	90	88	91	90	89	90
Food, processed.....	do.	102	102	102	102	103	104
Prices received by farmers <u>6/</u> #...	1910-14=100	236	235	247	244	237	236
Crops.....	do.	237	229	263	258	236	234
Livestock and products.....	do.	236	240	232	232	238	238
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	279	286	287	288	287
Items used in living.....	do.	273	272	280	282	281	279
Items used in production.....	do.	250	246	248	248	250	252
Parity ratio.....		84	84	86	85	82	82
Consumer price index <u>5/</u>	1947-49=100	114	115	116	117	117	
Food.....	do.	111	112	113	115	113	
Government purchases of goods and services <u>2/ 7/</u> #.....	Billion dollars	76.8	76.5	78.7			
Federal (less Government sales)..	do.	46.7	46.6	46.1			
State and local.....	do.	30.1	29.9	32.6			

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Prices received by farmers were generally steady during September. In mid-September, they averaged slightly above a year earlier and 6 percent above last December's low. With some increases in farm cost rates, the parity ratio in mid-September was 82 compared with 84 in September 1955 and 80 last December. Cash receipts from farm marketings in the first 9 months of 1956 were about 2 percent higher than in the same period of 1955, largely reflecting a heavier volume of farm products moving to market at slightly lower average prices than in the first 9 months of 1955.

Private investment demand is still among the principal factors supporting high level business activity. Business spending for plant and equipment has risen one-fourth above a year earlier, and indications are for further expansion to an annual rate of 38 billion dollars in October-December. Inventories also are continuing to grow, though the rate of accumulation is slower than the rapid build-up of last year and early 1956. The principal soft spot in the nonfarm economy now is residential construction. So far this year, new housing starts have averaged about a sixth below the 1955 rate. A further drop in September brought the rate of starts to its lowest level since January 1952. Nonresidential construction, however, is running well ahead of the 1955 pace, so that total private construction so far this year has about equaled that of the first 9 months of 1955. With public construction moderately higher than in 1955, overall construction activity is probably near capacity.

Commodity Highlights

Marketings of short fed cattle will probably be stepped up in the next few months, and prices of Choice and Prime steers will likely ease seasonally.

Prices to farmers for milk and butterfat are increasing less than the usual seasonal amount again this fall, but are slightly above a year earlier.

Current prices of eggs, broilers, and turkeys reflect the fact that production of each is at record levels for the season. Government purchase programs have been undertaken for eggs and turkeys.

Near record supplies of food fats are in prospect for 1956-57, but exports are likely to continue relatively high.

Production of feed grains this year, though down from 1955, appears a little larger than needed to meet 1956-57 requirements. This means some further rise in carryover stocks from the record 44 million tons on hand October 1 of this year.

With wheat prices generally above the effective support level, the quantity of this year's crop placed under CCC loan is expected to be materially below the 320 million bushels from the 1955 crop.

Through a combination of various programs, practically all the rice now owned by the CCC has been committed for export or domestic use.

Demand for oranges, both domestic and for export, is expected to be strong this fall. Grower prices may average a little higher than a year earlier.

Aggregate production of fresh vegetables for fall harvest is expected to be nearly a sixth larger than last year, and grower prices may average moderately lower.

With supplies of potatoes heavy, prices are likely to remain relatively low for the next few months. A diversion program similar to the one initiated last fall has been announced by the Department of Agriculture.

The large crop of dry peas is expected to result in average prices below the relatively high levels of the past four seasons, despite a strong export demand.

A reduction in the cotton carryover is in prospect this year, for the first time since 1950-51. Considerably larger disappearance is resulting from a sharp increase in exports.

The incentive level for the 1957 wool clip has been announced as 62 cents, the same as for the current and the 1955 seasons.

With three-fourths of this year's crop of flue-cured tobacco marketed by mid-October, auction prices have averaged 51.7 cents per pound, about the same as in the comparable period of last season.

GENERAL ECONOMIC SITUATION

General business conditions continued strong in September. Industrial production rose 2 points to 144 (1947-49=100), equalling the record high of last December. Steel output edged up above rated capacity, and orders now on hand assure a continued high rate of operation for the next several months. Employment declined 700,000 in September to 66.1 million because of seasonal contraction in the work force as many younger employees returned to school. Unemployment also fell, however, dipping below 2 million for the first time since 1953. The upward trend in consumer income continued as a sharp advance brought personal income payments in August to a record 328 billion dollars. Retail sales, seasonally adjusted, were down about 2 percent in September from the record level achieved in August to a rate about the same as a year earlier. Wholesale prices showed a substantial rise in September for the second successive month, but consumer prices eased slightly in August, the latest month for which data are available.

Consumer Income and Spending

After a slight dip in July, personal income advanced 3.9 billion dollars in August to a record annual rate of 328 billion dollars. Most of the August increase was concentrated in wages and salaries. A gain of 2 billion dollars in payrolls of primary metals, mining, and transportation industries made up for an equivalent decline in July resulting from the steel strike. Payrolls in all other industries combined showed a rise of about 1 billion dollars. Proprietors' income, property income, and transfer payments also rose during the month. The August rise was the largest month-to-month gain in recent years, and raised the level of personal income 19 billion dollars above that of August 1955.

Along with the advance in income payments has come a steady increase in consumer expenditures for food as food purchases continue to take about a fourth of total disposable income. Retail sales of food stores were up 6 percent in August from a year earlier, and in the first 9 months of 1956 consumer expenditures for food (including alcoholic beverages but not tobacco) increased about 5 percent over the corresponding period of 1955.

Retail Trade Slows
in September

Retail trade (seasonally adjusted) contracted 2 percent from August to September to a level about the same as a year earlier, according to advance estimates of the Department of Commerce. This compares with a one percent expansion in August (the latest month for which detailed data are available) when increased buying of nondurable goods brought retail sales to a record seasonally adjusted monthly total of 16.2 billion dollars. Food and apparel stores accounted for most of the August increase. Among durable goods, brisker sales of automobiles offset a drop in the volume of business done by furniture and appliance stores and by retailers of lumber, building materials and hardware.

Consumer Credit
Still Expanding

Consumer credit outstanding increased 360 million dollars in August to a record 37 1/2 billion. However, this rise was only about half as large as that of August 1955. New consumer credit extended since the beginning of 1956 has exceeded the amount repaid by 1 1/4 billion dollars. In the corresponding period of 1955, when borrowed funds were relied on extensively to finance exceptionally heavy purchases of new automobiles, the rise in consumer credit outstanding was 3 1/2 billion dollars. Despite the slower rate of growth in recent months, there is little reason to expect the volume outstanding to contract in the near future. The rise in consumer credit since January 1 has again, as in 1955, come largely in the form of installment loans on automobiles, even with the relatively slow market for new autos. If the 1957 model automobiles stimulate sales as anticipated, further growth in consumer debt is likely in the months ahead.

Table 1.- Consumer credit outstanding, August 31, 1953-56

Item	: Aug. 31, : 1956 :	: Aug. 31, : 1955 :	: Aug. 31, : 1954 :	: Aug. 31, : 1953 :
	: Billion : dollars :	Billion dollars	Billion dollars	Billion dollars
Total consumer credit	: 37.5	33.6	28.7	28.1
Installment credit	: 29.4	26.2	21.9	21.4
Automobile paper	: 15.4	13.5	10.3	10.2
All other	: 14.0	12.7	11.6	11.2
Noninstallment credit	: 8.1	7.5	6.8	6.7
	:			
Percent of disposable income	: 13.0	12.3	11.3	11.2
	:			

Investment Demand

A growing demand for investment goods has contributed significantly to the continuing upward trend of business activity thus far in 1956. In particular, business outlays for new plant and equipment have expanded to record rates. The amount spent in the first half of 1956 totaled 27 percent above the corresponding period of 1955. Surveys of businessmen's intentions, conducted by the Department of Commerce and the Securities and Exchange Commission, suggest that continued expansion is in prospect, with an annual rate of 38.0 billion dollars anticipated for the final quarter of this year. If these intentions materialize, business spending on new plant and equipment during 1956 as a whole will total about one-fourth greater than last year.

Housing Starts Well Below 1955

While businesses have been investing more than last year in factories, stores, and other types of construction, residential construction has lagged. Private housing starts declined more than seasonally in September to an annual rate of 1 million units, a fifth below a year earlier and the lowest since January 1952. In the first 9 months of 1956, housing starts have averaged just over an annual rate of 1.1 million units, compared with the 1955 rate of 1,310,000 homes. The decline in the number of starts has been accompanied by a rise in the average cost per home and by an 8 percent increase over last year in additions and alterations to existing housing. Consequently the value of residential construction through September dropped only 9 percent from the corresponding period of 1955.

Table 2.- Value of new construction put in place, September and first nine months of 1956, with year-earlier comparisons

Item	1956		1955		Percentage change	
	: First :		: First :		: First :	
	: Sept.: 9 :		: Sept.: 9 :		: Sept.: 9 :	
	: months:		: months:		: months:	
	Mil.	Mil.	Mil.	Mil.	Pct.	Pct.
	dol.	dol.	dol.	dol.		
Total new construction	4,267	32,691	4,148	31,994	3	2
Private	2,840	22,758	2,879	22,664	-1	1/
Residential (nonfarm)	1,416	11,306	1,561	12,388	-9	-9
Nonresidential	784	6,436	714	5,497	10	17
Farm	148	1,185	159	1,259	-7	-6
Public utility	480	3,744	433	3,391	11	10
Public	1,427	9,933	1,269	9,330	12	6
Nonresidential	383	3,046	374	3,270	2	-7
Highway	615	3,780	533	3,328	15	6

1/ Less than .5 percent.

Inventory Rise Slower In July and August

Total manufacturing and trade inventories edged up 0.2 billion dollars in August, on a seasonally adjusted basis, to 86.0 billion dollars. This increase was the same as in July. The monthly rise in inventories during the first six months of this year averaged about 0.6 billion dollars. At the slower rate of July and August, a large part of the build-up in book value of inventories is probably a reflection of higher prices.

As in July, the August increase in inventories was again concentrated in nondurable goods. Both manufacturers and retailers added to their holdings of nondurables while reducing their durable goods inventories. Among durables the sharpest reductions came in inventories of automobiles, building materials, and hardware. The much smaller inventories held by wholesalers at the end of August showed no change from July after seasonal adjustment.

Output and Employment

Industrial Production Regains Previous Record

The Federal Reserve Board's Index of Industrial Production rose 2 points in September, after seasonal adjustment, to 144 percent of the 1947-49 average. This is the highest rate achieved this year, and equals the record set last December. The advance was associated with a sharp further expansion in steel production and iron ore mining. A small gain occurred in metal fabricating, reflecting continued strong demand for industrial machinery and other producers' equipment. In the nondurable goods sector, a small rise in activity resulted mainly from increased output of rubber goods and textiles.

Factory Sales Regain Most of July Loss

Manufacturers' sales in August amounted to 27.5 billion dollars, after seasonal adjustment. This was 1.3 billion more than in July, but slightly short of the 27.7 billion dollars of sales in June. The rise resulted primarily from the resumption of activity following the July steel shutdown. Manufacturers of durable goods increased their sales by 1.0 billion dollars in August to 13.6 million, 0.1 billion below August 1955, while sales of non-durables were up 0.4 billion during the month to 13.9 billion dollars.

New orders for manufactured goods advanced 1.9 billion dollars in August after seasonal adjustment, to 28.9 billion dollars. The rise was greatest in durable goods industries, particularly aircraft, but a small increase in new orders--0.3 billion dollars--was also reported by producers of nondurable goods. With new orders up more than sales, the backlog of unfilled orders rose by 1.4 billion dollars. All of the increase occurred in the durable goods industries. The much smaller backlog of orders for nondurables was reduced slightly during August.

Employment and Unemployment Both Down in September

Total employment declined 681,000 in September to 66,071,000. The decline was entirely seasonal and reflected a contraction in the labor force as many younger persons employed for the summer left jobs to return to school. Unemployment also declined during the month, to just under 2 million, the lowest since late 1953.

Compared with September 1955, the number of jobs was up 1 1/3 million. The increase over the year has occurred mainly in durable goods manufacturing and in contract construction. Important gains from last year have also occurred in the number at work in wholesale and retail trade, service industries, finance, insurance and real estate, and government.

Hourly wages of factory workers averaged \$2.00 in mid-September, a new record. A month earlier the figure was \$1.98. During the same period, the average work week increased more than seasonally from 40.2 to 40.5 hours. As a result, average weekly earnings advanced to a record \$81.00 compared with \$79.60 a month earlier. The increase in overtime employment came mainly in durable goods manufacturing industries, especially iron and steel. In the nondurable goods sector, the petroleum and chemicals industries showed especially large gains in average weekly hours.

Farm Employment Up Less Than Seasonally

About 10.4 million persons were working on farms in late September, according to the Agricultural Marketing Service. This was more than a million over the number employed a month earlier, but the increase was slightly less than usual for the time of year. When allowance is made for seasonal factors, total farm employment dropped 3 percent from late August to late September to 57 percent of the 1910-14 average. Compared with September 1955, the number of family workers was down about 5 percent and the number of hired workers was up about 2 percent. Farm wage rates, meanwhile, have shown steady increases. As of October 1, the seasonally adjusted index of farm wages stood at 550 percent of the 1910-14 average, up 6 percent from a year earlier.

Commodity Prices

Consumer Prices Ease in August

The Bureau of Labor Statistics index of consumer prices dipped 0.2 percent between July and August to 116.8 percent of the 1947-49 average. Sharply lower prices for fresh fruits and vegetables were responsible for the August decline. Other foods advanced in price, as did nearly all of the nonfood components of the index. The August decline in consumer prices followed a 6-month upward movement which raised the index about 2 percent.

The AMS index of prices paid by farm families for family living declined slightly between mid-August and mid-September. Lower food prices again were primarily responsible for the decline, though prices of clothing (except woolens), household and motor supplies also eased. Household furnishings and building materials showed price gains during September.

Wholesale Prices
Continue Upward

Primary market prices advanced 5 percent from August to September, according to the Bureau of Labor Statistics Index of Wholesale Prices. The index in September was 115.3 percent of the 1947-49 average, 3.2 percent above a year earlier and 1 percent below the all-time record of February and March 1951.

Table 3.- Recent trends in prices

Year and month	Consumer price index 1947-49=100	Wholesale price index 1947-49=100	Prices received, all farm products 1910-14=100	Parity index 1910-14=100	Parity ratio
1955					
July	114.7	110.5	236	281	84
Aug.	114.5	110.9	232	280	83
Sept.	114.9	111.7	235	279	84
Oct.	114.9	111.6	229	280	82
Nov.	115.0	111.2	224	279	80
Dec.	114.7	111.3	222	278	80
1956					
Jan.	114.6	111.9	226	281	80
Feb.	114.6	112.4	227	280	81
Mar.	114.7	112.8	228	282	81
Apr.	114.9	113.6	235	284	83
May	115.4	114.4	242	286	85
June	116.2	114.2	247	286	86
July	117.0	114.0	244	287	85
Aug.	116.8	114.7	237	288	82
Sept.		115.3	236	287	82

Agricultural Prices
Steady in September

Prices received by farmers were generally stable between mid-August and mid-September, as the index eased one point to 236 percent of the 1910-14 average. In September 1955 the index was 235. The principal declines last month were drops of more than a fifth in average prices of commercial vegetables and potatoes, reflecting seasonally large supplies. Meat animal prices to farmers also were off a little from their August levels as a result of increasing market receipts of hogs, calves, and beef cattle. However, milk prices continued to rise, with the index of dairy product prices reaching 264 in September compared with 256 in August and 257 a year earlier. The poultry and eggs group increased by less than the usual seasonal amount.

The small decline in the Index of Prices Paid by Farmers for Family Living Items was sufficient to more than offset higher prices for farm production goods, so that Prices Paid for Commodities, Interest, Taxes, and Wage Rates (the Parity Index) slipped one point during the month to 287 (1910-14 =100). With both prices received and prices paid down one point, the Parity Ratio held at 82, 2 percent lower than in September 1955.

Farm Product Prices Decline
On Central Markets

Seasonal influences were mainly responsible for declines in late September and early October in central market prices for many major farm commodities. Corn (No. 3, Yellow, at Chicago) was down about 25 percent over the four-week period, and a similar decline occurred for Long Island potatoes. Prices of meat animals at Chicago were steady to firm until the end of September but eased down in the first 2 weeks of October. Midwestern eggs (Fancy, Heavy Weights, 65%-A, at New York) were off about 8 percent during the four week period. Small gains occurred in prices of oats, flaxseed and butterfat.

World Trade Developments

During 1955-56, United States exports and imports reached record levels. Commercial exports totaled 16.8 billion dollars, an increase of nearly 2 billion over the previous year, including a rise in agricultural exports of 350 million dollars. Total imports at 12.1 billion dollars were 1.7 billion over 1954-55, with agricultural imports (mainly coffee, rubber and wool) rising 300 million dollars.

The increase in United States trade had its counterpart in world trade. Trade in 1955 among the non-communist countries of the world expanded substantially (about 10 percent in value) from its record high of the previous year (table 4). The expansion mainly reflected increased demand for imports, particularly of raw materials, by the industrial countries. The United States and Western Europe accounted for nearly three-fourths of last year's rise in world imports. The high level of trade has continued in 1956. During the first half of 1956 imports of the Western European countries rose 10 percent over the first 6 months of 1955, while those of the United States rose 11 percent.

For most countries, the rise in volume of imports closely paralleled the rise in industrial production. Between 1952 and 1955, industrial production and the volume of imports of Western Europe (OEEC members) each rose 26 percent, while in Japan a 43 percent increase in industrial production was accompanied by a 42 percent rise in the volume of imports. During the same three years industrial production in the United States rose 12 percent, while the volume of imports increased by 7 percent (table 5).

Table 4.- Free world trade 1952-1956 (excluding United States military aid shipments)

Year	Exports (f.o.b.)			Imports (c.i.f.)		
	Total	United States	Western Europe ^{1/}	Total	United States	Western Europe ^{1/}
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
1952	71.7	13.3	27.1	80.1	11.6	32.1
1953	71.2	12.3	27.3	76.5	11.8	31.2
1954	75.2	12.9	29.6	79.4	11.1	33.7
1955	82.7	14.3	33.3	88.0	12.4	38.7
1956 ^{2/}	92.0	16.7	35.6	96.4	13.8	41.2

^{1/} Continental Western Europe, The United Kingdom, Ireland and Iceland.

^{2/} First and second quarters, at annual rate (unadjusted).

International Monetary Fund, International Financial Statistics, October 1956.

The increase in the volume of world trade since 1952 exceeded the increase in value, as average unit export values declined. During 1954 and 1955 there was an apparent stability in the index of world market prices, although great fluctuations occurred in individual commodities. The United Nations index of unit export values remained unchanged at 99 (1953=100), having declined from a high of 108 in 1951--the year of the Korean boom. The general stability of the index masks a divergent movement between declining food and feed prices and rising prices for industrial raw materials. Thus between the second quarter of 1954 and the second quarter of 1956, the index showed a 13 percent decline in food prices and a 16 percent rise in the prices of metals and fuels. Nonfood agricultural prices as a whole remained relatively stable.

The price rises, especially for non-ferrous metals, reflected increases in demand for current production and purchases for the United States and British stockpiles in excess of current supplies, which at times were adversely affected by strikes. On the other hand, in most industrial countries, the demand for staple foods has been relatively inelastic while underdeveloped countries generally lacked the purchasing power to augment their levels of consumption. Thus for farm commodities, even the relatively smaller increases in production resulted in surpluses. Further, the index of coffee, cocoa and tea prices slipped back 32 percent from the second quarter of 1954 to the second quarter of 1956, following a phenomenal rise. Finally, the build up of large surpluses tended to have a depressing effect on prices.

The divergence between the movements of food and industrial raw material prices described above has been less evident during the first half of 1956. On one hand, high prices for many industrial raw materials brought forth marginal production at the same time that long-range expansion programs for some of these commodities were coming to fruition. On the other hand, the rate of industrial expansion in many European countries has slowed down; U. S. stockpile purchases have decreased and the British government has ceased such purchases for the first time in 10 years. As a result, the prices of many industrial raw materials leveled off. The simultaneous firming in agricultural prices was due partly to an upward readjustment in beverage prices (coffee, tea and cocoa), short crops of grain and vegetable oils in certain countries, the working off of some surpluses, rising consumption of fats and oils, fruits, and vegetables, and increased purchases of feed for the expanding livestock industries of a number of countries.

The favorable trend in United States agricultural exports evident during the past two years is still in process. Exports through September 1956 are substantially greater than in the corresponding period of 1955 both in value and in volume. Cotton exports, which were relatively low during the first half of the year, are currently running several times higher than the depressed level of last fall. Total exports, favorably affected by record levels of economic activity and consumption abroad, will continue to be buttressed by government export programs which in 1955-56 financed over 40 per cent of total agricultural exports.

Table 5.- Indexes of industrial production and volume of imports 1952-1955

1953 = 100								
Area	1952		1953		1954		1955	
	Indus-		Indus-		Indus-		Indus-	
	trial	Imports	trial	Imports	trial	Imports	trial	Imports
	pro-		pro-		pro-		pro-	
	duction:		duction:		duction:		duction:	
World total <u>1/</u>	93	94	100	100	100	105	110	113
OEEC-total	95	95	100	100	109	108	120	120
United Kingdom:	94	92	100	100	107	101	113	113
W. Germany	87	109	100	100	122	117	130	135
Japan	82	74	100	100	108	104	117	109
United States	93	96	100	100	93	93	104	104
Canada	94	91	100	100	99	93	107	106

1/ Export volume index. Excludes Soviet bloc in Europe and Asia.

United Nations, Monthly Bulletin of Statistics, September 1956. Organization for European Economic Cooperation, General Statistics, 1956, No. 4.

FARM INCOME

Farmers received about 20.2 billion dollars from farm marketings in the first 9 months of 1956, nearly 2 percent more than in the corresponding period of 1955, reflecting a 4-percent increase in volume of marketings accompanied by 2 percent lower prices received. Receipts from livestock and products were approximately 11.8 billion dollars, slightly above those of last year, as increases in average milk prices and in the volume sold, together with higher egg prices in the first half of 1956, more than offset lower hog prices. Crop receipts of 8.4 billion dollars were 3 percent above January-September 1955. This increase was due mostly to larger receipts from vegetables and fruits, which offset significant declines in receipts from tobacco and soybeans.

Cash receipts from farm marketings in September are tentatively estimated at 3.0 billion dollars, about the same as in September 1955, with practically no change in the over-all level of either prices or volume of marketings. Livestock receipts of 1.4 billion dollars and crop receipts of 1.6 billion were both close to those of a year ago.

LIVESTOCK AND MEAT

Weekly hog slaughter has dropped below last year's rate and will be considerably less than a year earlier throughout this winter. Cattle slaughter, on the other hand, probably is setting a new all-time record in October, and the winter rate will probably about equal last winter's.

On October 1, about 1 percent more cattle were on feed than a year before, according to reports from 13 States. More of the cattle than a year before were young and of light weight. The market supply of fed cattle this winter and next spring may equal or exceed the past year, but less will be of the extremely heavy weights.

Prices of hogs were above 1955 prices in mid-October. Their seasonal decline the rest of 1956 will be a great deal less than a year before, and by the end of the year they will likely be substantially higher than the low level of late 1955.

Price spreads between the upper and lower grades of cattle this fall have been wider than usual for the season. A reduced supply of high grade fed cattle has been coupled with very large marketings of cattle off range and pasture. In the first half of October Choice slaughter steers at Chicago averaged \$12.00 above Utility steers. Last year, the spread was \$8.00. As marketings of short fed cattle are stepped up the next few months, prices of Choice and Prime steers will ease seasonally downward from their early-October level.

Lamb prices may continue a little above corresponding 1955 prices.

DAIRY PRODUCTS

Butter prices advanced fractionally and little butter was purchased under the support program in the latter part of September. However, September purchases of cheese were 14 million pounds, or about the same as a year earlier, while purchases of 17 million pounds of nonfat dry milk were smaller. From April through September of this marketing year, purchases of all three items bought under the support program have been above a year earlier--2 percent for butter, 7 percent for cheese, and 19 percent for nonfat dry milk. While wholesale prices for butter have edged up in the past month, prices of manufactured dairy products have continued steady at about the equivalent of support levels for milk and butterfat.

Prices to farmers for both milk and butterfat are increasing less than the usual seasonal amount again this fall but are slightly above a year earlier. The average price to farmers for 1956 will be 3 to 4 percent above the \$4.00 per hundredweight for all milk at wholesale and 57.1 cents per pound for butterfat received in 1955. Cash receipts from the sale of dairy products will approximate the 1952 record of 4.6 billion dollars, compared with 4.2 billion in 1955.

Milk-feed price relationships are not as favorable as last winter after seasonal adjustment but will continue to compare favorably with the long-time average. Record rates of feeding continue to help maintain milk production per cow at new highs. Even with slightly fewer cows, total milk output has averaged 3 percent above a year earlier. Total output probably will exceed 127 billion pounds in 1956 compared with the record of 123.5 billion reached last year.

With higher levels of consumer incomes, the consumption of fluid milk during 1956 has been above a year ago despite higher retail prices. Butter and cheese production also have continued above a year earlier through September. Disappearance of manufactured dairy products into commercial civilian channels on a per capita basis has been about equal to a year earlier so far in 1956.

POULTRY AND EGGS

Current prices of eggs, broilers, and turkeys reflect the fact that production of each is at record levels for the season, and will continue record large through the remainder of the year. Government purchase programs have been undertaken for eggs and turkeys.

Total production of eggs is past its seasonal low point and is now rising from month to month, although production of large eggs may not yet be increasing seasonally. Through October 19 the Department of Agriculture has purchased 165,000 cases of medium size eggs. This was the first purchase under the program to help stabilize egg prices. In addition, the International Cooperation Administration announced a program enabling Spain to buy about 167,000 cases of eggs in the United States in the next few months.

Mid-September average prices received by farmers were 38.6 cents per dozen compared with 43.8 cents per dozen a year earlier. Production on October 1 was 4 percent larger than on that date last year. The number of potential layers on farms October 1 was 1 percent larger than a year earlier.

Broiler prices in most specialized production areas in the third week of October were between 16 and 18 cents a pound, a level thought to be unprofitable to producers. However, settings of hatching eggs continue above the relatively high levels of 1955. Egg settings in incubators in the three weeks ending October 15 were 12 percent larger than a year earlier. About 20 percent more broilers were growing in mid-October than a year earlier. Mid-September prices of broilers to farmers averaged 18.3 cents per pound compared with 25.2 cents in mid-September 1955.

The 1956 turkey crop is about 16 percent larger than the 65 1/2 million birds raised in 1955, with the increase occurring principally in heavy type birds. While fewer light breed poults were hatched than in 1955, their reduced numbers will be offset by the greater slaughter at light weights of white-feathered heavy-breed turkeys. Purchases to October 19 under the Department of Agriculture turkey program have amounted to 1.3 million pounds of frozen ready-to-cook birds. Mid-September prices to farmers averaged 27.0 cents per pound, live, compared with 31.0 cents a year earlier.

OILSEEDS, FATS AND OILS

Supplies of food fats in 1956-57 will be about as large as last year's record. Beginning stocks will be lower but output will be greater. The available supply is far in excess of probable domestic use and foreign markets will again be an important outlet for United States fats, oils and oilseeds. With a continuing high level of economic activity in most parts of the world, growing population and improved levels of living in many foreign countries, more competitive U. S. export prices, and sizable sales for foreign currency under the P. L. 480 programs, exports are expected to remain relatively high during 1956-57.

The 1956 soybean crop is estimated at a record 470 million bushels, more than a fourth larger than last year's production. Crushings and exports are expected to rise to new highs.

The Secretary of Agriculture announced on October 1 the sales policy with respect to any quantities of 1956-crop soybeans which may be taken into the CCC inventory at the loan maturity date, May 31, 1957. CCC will not sell such soybeans for domestic use or export at less than the higher of the domestic market price or the current price support level plus reasonable carrying charges. This policy will remain in effect until October 1, 1957. The announcement was made at the beginning of the marketing year to encourage farmers to take full advantage of the price support program under which storage loans or purchase agreements can be utilized to assure orderly marketing of their crop.

FEED

Corn prices declined more than seasonally at Midwestern markets in late September and early October as farmers began harvesting the big 1956 crop. The price of No. 3 Yellow corn at Chicago averaged \$1.30 per bushel for the week ended October 12, about 32 cents below the seasonal high reached in August, but 5 cents per bushel higher than a year earlier. Feed grain prices have been higher this past summer than in 1955 with the mid-September index of prices received by farmers up 15 percent. Feed grain prices probably will continue higher than a year ago this fall and winter, but by a smaller margin than in September. High protein feed prices have declined in recent months and in September averaged 5 percent lower than a year earlier. Soybean meal prices have declined more than most of the other protein feeds, reflecting prospects of record 1956-57 production. Soybean meal is low in price this fall compared with most other protein feeds.

The 1956 production of feed grains was estimated on October 1 at 126 million tons, 5 million less than in 1955, but 8 million above the 1949-53 average. The total supply of all feed concentrates, including the record carryover stocks, is now estimated at 198 million tons, slightly above the record supply last year and 14 percent above the 1949-53 average. With fewer hogs to be fed in 1956-57 indicating a small reduction in total grain consuming livestock on farms, the 1956 feed grain production appears a little larger than needed to meet our 1956-57 requirements. This would mean some further increase in carryover stocks from the record level of 44 million tons this year.

The corn crop was estimated on October 1 at 3,369 million bushels, 4 percent larger than in 1955. This together with the record carryover of about 1.2 billion bushels gives a total 1956-57 supply of over 4.5 billion bushels, 7 percent larger than last year and the largest of record. Supplies of each of the other feed grains are smaller than last year, but barley and sorghum grain supplies are above average. Hay supplies are adequate for livestock on farms in most sections of the country, except in areas of the Western Corn Belt and Great Plains where dry weather has curtailed the growth of hay crops and pastures this summer.

WHEAT

Cash wheat prices are generally near the high for the season to date, having advanced since the new export program was announced on July 13. Prices of spring wheat are the exception to the general advance reflecting the subsequent heavy market movement and reduced demand, with a crop 9 percent above a year ago. Drought conditions in the Southwest winter wheat area have also become increasingly important as a price strengthening factor. Many farmers in this area have been "dusting in" their seed and hoping enough rain will fall to give the crop a start. Recent rains have been received over parts of the area, but a great deal more is needed. Under the new export program, substantial quantities of wheat for commercial export are being drawn from free market supplies, rather than from CCC stocks as in 1955-56.

In mid-September wheat prices to farmers averaged \$1.95 compared with \$1.93 a month earlier, \$1.90 in mid-July, \$1.92 in September 1955, and the 1956 national average crop loan rate of \$2.00. Current prices are generally at or above prices in mid-September and above the effective loan rate--the announced rate less an allowance for storage.

Through September 15, 163 million bushels of 1956-crop wheat had been placed under price-support loans and purchase agreements. This compares with 124 million bushels of 1955-crop wheat placed under support through September 15, 1955 and 233 million bushels of 1954-crop wheat for the same date in 1954. With prices generally above the effective support rate, there was a reduction in the quantities going under the programs in the month ending September 15, and the total for the season is expected to be materially below the 320 million bushels from the 1955 crop.

Preliminary and incomplete returns indicate that wheat farmers placed 8.8 million acres under the 1957 winter wheat Acreage Reserve Program of the Soil Bank through the October 5, 1956 deadline for making such agreements. In counties where producers could not sign up before the deadline because the initial county allocation of funds was exhausted, as well as where producers were prepared to sign up acreage beyond the preliminary limit of 50 percent of their farm allotments if funds became available, participation totals may be increased materially as unobligated funds are reallocated.

The supply of wheat for the 1956-57 marketing year is estimated at 2,011 million bushels, a new all-time record. This year's supply includes the July 1 carryover of 1,030 million bushels, a crop estimated as of October 1 at 976 million and imports, mostly of feeding quality grain, of about 5 million. Domestic disappearance is expected to total about the same as last year, but exports may be larger so that carryover July 1, 1957 probably will be less than last July.

RICE

In mid-September, rice prices to farmers averaged \$4.56 per cwt., higher than early this season, above a year earlier, and about at the national average crop loan rate to farmers. The price in mid-August was \$4.29 and in September 1955 it was \$4.50.

Prospects for greatly increased rice exports are expected to reduce materially the very large carryover of rice by the end of the current marketing year. The greatly increased U. S. rice exports now in prospect are possible because of a material change in the world rice situation. The surpluses, which accumulated in 1954-55 throughout exporting countries, have now largely been disposed of. Through a combination of various Government programs, practically all of the rice owned by the CCC has now been committed for export or domestic use.

FRUIT

Prospective production of early and midseason oranges in the 1956-57 season is about 4 percent larger than in 1955-56. Most of the increase is in Florida, where heavy new plantings of recent years are starting to bear. Grapefruit production in 1956-57 is expected to be about 3 percent smaller than in 1955-56. The decrease is in Florida, where average size of the fruit is smaller than a year ago as a result of inadequate moisture in summer.

Light shipments of new-crop grapefruit and oranges from Florida to fresh markets were made the last week of September, a little later than last year. Shipments are expected to reach heavy volume by late October. Both fresh market and processor demand for citrus, especially oranges, are expected to be strong this fall and winter. Export demand for oranges is expected to be better than last fall and winter, mainly because of freeze damage to Spanish trees last February. Grower prices for oranges this fall may average a little higher than a year earlier, but prices for grapefruit may not be greatly different.

The 1956 deciduous fruit crop, based on October 1 conditions, is expected to be about 1 percent smaller than the 1955 crop. Among fresh deciduous fruits to be marketed this fall, it appears that supplies of apples, grapes, and cranberries will be smaller than last fall while those of pears will be larger. Supplies of dried prunes will be larger. With supplies smaller and demand continuing strong, grower prices for most deciduous fruits probably will average somewhat higher this fall than last.

Current indications for 1956 packs of processed fruits are that the pack of canned fruits will be a little under the 1955 record, that the pack of frozen deciduous fruits and berries will be close to the 1955 output, and that the pack of dried fruits will be larger. There also may be some increase in output of frozen orange concentrate in Florida in 1956-57. In this State, current stocks of frozen orange concentrate and canned citrus juices are larger than a year ago, but are not expected to be burdensome as the new season for canning and freezing gets under way this fall.

COMMERCIAL VEGETABLES

For Fresh Market

Most vegetables for fresh market sale will be more plentiful this fall than last. Production of early fall cabbage is estimated at 637,500 tons, over 50 percent larger than last year's short crop and 17 percent above the 1949-54 average. Substantially more Brussels sprouts, broccoli, carrots, cauliflower, cucumbers, lima beans, sweet corn, spinach, and early fall tomatoes are expected to be available this fall. Supplies of lettuce, green peas, eggplants and peppers promise to be significantly smaller than a year earlier, while supplies of snap beans will be slightly smaller. In the aggregate,

production of fresh vegetables for fall harvest is expected to be about 16 percent larger than last year, and prices received by growers are expected to average moderately lower than last fall.

For Processing

Carryover stocks of most vegetable items were down from 1955. Although pack data are not available, the indicated larger production is expected to result in a larger pack and in moderately to substantially larger supplies of most items in 1956-57 than in the previous season. In early November prospective production of 8 important vegetables for commercial processing is estimated at 7.7 million tons, 38 percent larger than last year and 41 percent above the 1945-54 average. Indicated production of each of the crops-- lima beans, snap beans, beets, sweet corn, green peas, tomatoes, winter and spring spinach and contract cabbage for kraut--is substantially above last year and the 1945-54 average.

Processing and distribution cost are higher for the 1956 pack. Thus, despite larger supplies of most items, retail prices of processed vegetables into mid-1957 are expected to average close to year earlier levels.

POTATOES AND SWEETPOTATOES

Potatoes are again in burdensome supply and both farm and retail prices are relatively low. The fall crop is estimated at 165.3 million hundredweight, about one-tenth larger than last year. The geographic distribution of production is more normal than last fall when the 9 Central States had a very short crop. The Department of Agriculture in late September announced a potato diversion program similar to the one initiated last fall. Areas may qualify for participation by submitting to the Department a satisfactory marketing plan to facilitate the diversion of surplus lower grades and less desirable sizes to starch, flour, and livestock feed and to provide consumers with only good quality potatoes. Supplementary payment rates are 50 cents per hundredweight through December 31, 1956; 40 cents through March 31, 1957; and 30 cents until end of program, but not later than June 30, 1957. The diversion program and marketing orders and agreements in effect in major producing areas will tend to keep the less desirable grades and sizes of potatoes off the market and should bolster potato prices somewhat. But with the heavy supplies in prospect, prices during the next few months are likely to remain at relatively low levels.

The sweetpotato crop is estimated at 16.3 million hundredweight, about one-fifth smaller than 1955 and the 1949-54 average. Since a large part of the cut in production occurred in Louisiana and other States with storage facilities, supplies available on northern markets later in the season are likely to be materially smaller than a year earlier. Prices received by farmers for 1956 crop sweetpotatoes are expected to average materially higher than the low prices for the 1955 crop.

DRY BEANS AND PEAS

Supplies of dry beans in the 1956-57 season promise to be moderately smaller than in the previous season. Carryover stocks in 1956 were less than a year earlier and CCC stocks are now small. Production this year is expected to approximate 17 million 100-pound bags, just slightly more than last year. Prices received by growers for most classes of colored and lima beans are expected to averaged higher in the 1956-57 season than a year earlier, while white beans are expected to be lower.

The dry peas crop is expected to be almost twice as large this year as the short crop of 1955. Supplies would be well above normal domestic and export requirements, but demand for peas this season is stronger than usual. More peas will be needed domestically for restocking distribution pipelines after last year's short crop. And because of severe damage to the European crop, export demand is expected to be unusually good. However, the larger crop may result in average prices a little below the relatively high levels of the past four seasons.

WOOL

Prices received by domestic growers for shorn wool during the first half of the current marketing season, when the bulk of the clip is reported to have been sold, were below 1955. Although they are likely to average above a year earlier during the remainder of the season, the average for the season as a whole is likely to be lower than that for 1955. The incentive level for the 1957 season has been announced as 62 cents, the same as for the current and the 1955 seasons. Payments to growers under the 1955 program are indicated to be approximately 55 million dollars.

Cash receipts from marketings of shorn wool during this season are expected to be below 1955. But Government payments to producers this year (on their 1955 marketings) will much more than offset any likely reduction in cash receipts from marketings, so that total returns will exceed 1955.

Domestic production of wool this year is estimated to be a little below last year. However, with CCC sales substantially above last year, the total quantity of domestic wool moving into consumption channels is larger than last year. With domestic mill use so far this year well above last year, imports are also up, although the rate dropped below a year earlier during those months when marketings of domestic wool are reported to have been heavy relative to last year.

World supplies of wool this year have been somewhat larger than in 1955. However, with world demand strengthening relative to available supplies, prices abroad have shown a substantial advance since last March. But prices received by domestic growers as measured by the mid-month average have reflected only a part of the rise abroad.

COTTON

Prices for cotton increased slightly during the latter part of September and the first part of October. On October 17 the average 14 spot market price for middling 1-inch cotton was 33.19 cents per pound, compared with 33.02 cents on September 4. The average support price at these markets is the same as the September 4 market price. In October 1955 the average price at the 14 spot markets for middling 1-inch cotton was 34.20 cents per pound.

The supply of cotton in the United States during the current season is estimated at a record of about 27.7 million bales. The 1955-56 supply was about 26 million bales. The 1956-57 estimate includes a crop of 13.1 million running bales, estimated as of October 1, estimated imports of about 0.1 million, and a starting carryover of about 14.5 million.

For the first time since the 1950-51 season, disappearance is likely to exceed production, resulting in a reduction in the carryover. Disappearance in 1956-57 probably will be considerably larger than the 11.4 million bales of 1955-56. The increase will be caused by a sharp increase in exports which are expected to considerably more than double the 2.2 million bales of 1955-56. Domestic mill consumption may decline slightly below the 9.2 million bales of the preceding season.

As of October 2, 1956, the Commodity Credit Corporation had sold about 4.2 million bales of cotton for export during the current season. The prices basis middling 15/16 inch were about 6.5 cents below support. Stocks of cotton held by the CCC (owned and held as collateral against outstanding loans and not including stocks sold for export) were about 9.7 million bales as of September 28. Included in this total were about 666,000 bales of 1956 crop cotton. This compares with about 355,000 bales of the 1955 crop which had been placed under CCC loan at about the same date a year earlier.

Because of expected large shipments of Egyptian cotton behind the Iron Curtain, U. S. imports of American-Egyptian cotton are expected to decline and exports are expected to increase. This situation has led to a rise in the marketing quota for extra-long staple cotton to 76,565 bales for 1957, compared with 35,300 bales for 1956. Acreage allotments in 1957 of 89,357 acres compare with 45,305 acres in 1956.

TOBACCO

By mid-October, this year's crop of flue-cured tobacco was approximately three-fourths marketed. Through that date, auction prices averaged 51.7 cents per pound, practically the same as in the comparable period of last season. About 20 percent of total market deliveries were placed under Government loan compared with 22 percent in the comparable period of last season when the crop was more than a tenth larger than this year's. The 1956 support level for flue-cured is 48.9 cents per pound--three-fifths of a cent higher than last season.

Marketings of most other types begin late this fall or during the winter. The 1956 support level for burley is 48.1 cents per pound; for fire-cured, 36.1 cents; and for dark air-cured and sun-cured, 32.1 cents. The 1956 support levels for these types are about 4 percent higher than those for the 1955 crop. The 1956 levels announced on October 2 are higher than the minimum supports announced last spring and reflect the advance in the parity index since that time.

The supplies of most kinds of tobacco are large in relation to prospective 1956-57 disappearances, mainly due to substantial carryovers from previous crops. The 1956 production of tobacco was indicated as of October 1 as being 6 percent lower than last year's--mainly reflecting the reductions in the acreage for flue-cured and cigar binder types.

The domestic use of flue-cured and burley seems likely to be about the same in 1956-57 as in 1955-56 despite the expectation of a continuing gradual increase in the number of cigarettes manufactured. Indications are that manufacturers are making more cigarettes per pound of tobacco than formerly. This is probably attributable to the larger share of filter tips, which require less tobacco per cigarette and to more complete use of tobacco leaves including midribs or stems, as, for example, in "processed tobacco sheet."

Total cigarette output for 1956 is estimated at 425 billion--second only to the record 435½ in 1952. Total cigar consumption this year at about 6.3 billion will be the highest since the late 1920's. However, use of tobacco in pipes, "roll-your-own" cigarettes, and for chewing probably will be a new low.

This year's Maryland tobacco crop is well above last year's storm-reduced outturn and is expected to equal the record 1946 crop. The Government support level for this crop--the first to be supported since the 1953 crop--is 47.0 cents per pound.

This year's production of the cigar filler and binder types grown in Ohio, Wisconsin, and the Connecticut Valley is estimated as being 26 percent smaller than last year. The Government support levels for these types range from 23.4 to 52.5 cents per pound and are a little lower than last year's.

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